

JAN 23 2015

A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 201H-36, Hawaii Revised Statutes, is amended to read as follows:

"[+]§201H-36[+] Exemption from general excise taxes. (a) In accordance with section 237-29, the corporation may approve and certify for exemption from general excise taxes any qualified person or firm involved with a newly constructed, or moderately or substantially rehabilitated project:

(1) Developed under this part;

(2) Developed under a government assistance program approved by the corporation, including but not limited to the United States Department of Agriculture 502 program and Federal Housing Administration 235 program;

(3) Developed under the sponsorship of a private nonprofit organization providing home rehabilitation or new homes for qualified families in need of decent, low-cost housing; or



(4) Developed by a qualified person or firm to provide affordable rental housing where at least ~~[fifty]~~ 50 per cent of the available units are for households with incomes at or below ~~[eighty]~~ 80 per cent of the area median family income as determined by the United States Department of Housing and Urban Development, of which at least ~~[twenty]~~ 20 per cent of the available units are for households with incomes at or below ~~[sixty]~~ 60 per cent of the area median family income as determined by the United States Department of Housing and Urban Development.

(b) To obtain certification for exemption under this section, rental housing projects shall, unless exempted by the corporation, enter into a regulatory agreement with the corporation to ensure the project's continued compliance with the applicable eligibility requirements set forth in subsection (a), as follows:

(1) For moderate rehabilitation projects, a minimum term of five years from the date of initial project certification by the corporation;



1 (2) For substantial rehabilitation projects, a minimum
2 term of ten years from the date of initial project
3 certification by the corporation; and

4 (3) For new construction projects, a minimum term of
5 thirty years from the date of initial project
6 certification by the corporation.

7 ~~[(b)]~~ (c) All claims for exemption under this section
8 shall be filed with and certified by the corporation and
9 forwarded to the department of taxation. Any claim for
10 exemption that is filed and approved, shall not be considered a
11 subsidy for the purpose of this part.

12 ~~[(e)]~~ (d) For the purposes of this section:

13 "Moderate rehabilitation" means rehabilitation to upgrade a
14 dwelling unit to a decent, safe, and sanitary condition, or to
15 repair or replace major building systems or components in danger
16 of failure.

17 "Substantial rehabilitation":

18 (1) Means the improvement of a property to a decent, safe,
19 and sanitary condition that requires more than routine
20 or minor repairs or improvements. It may include but
21 is not limited to the gutting and extensive



1 reconstruction of a dwelling unit, or cosmetic
2 improvements coupled with the curing of a substantial
3 accumulation of deferred maintenance; and

4 (2) Includes renovation, alteration, or remodeling to
5 convert or adapt structurally sound property to the
6 design and condition required for a specific use, such
7 as conversion of a hotel to housing for elders.

8 [~~(d)~~] (e) The corporation may establish, revise, charge,
9 and collect a reasonable service fee, as necessary, in
10 connection with its approvals and certifications under this
11 section. The fees shall be deposited into the dwelling unit
12 revolving fund."

13 SECTION 2. This Act does not affect rights and duties that
14 matured, penalties that were incurred, and proceedings that were
15 begun before its effective date.

16 SECTION 3. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 4. This Act shall take effect on July 1, 2016, and
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1 shall apply to projects with an initial certification date after
2 June 30, 2016.

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Report Title:

Hawaii Housing Finance and Development Corporation; Taxation;
General Excise Taxes for Eligible Rental Housing Projects;
Exemption

Description:

Requires each rental housing project with a general excise tax exemption to enter into a regulatory agreement with the Hawaii housing finance and development corporation to ensure the project's continued eligibility for the tax exemption. Establishes minimum terms for the agreements depending on the type of project.

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